GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA

UNSTARRED QUESTION NO:6124
ANSWERED ON:05.05.2003
OPERATIONAL COST OF IA AND AI
GANGASANDRA SIDDAPPA BASAVARAJ

Will the Minister of CIVIL AVIATION be pleased to state:

(a) whether, the operational cost of Indian Airlines and Air India is higher than that of the other airlines;

(b) if so, the reasons therefor;

(c) whether any scheme has been formulated by the Government to reduce the operational cost; and

(d) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF CIVIL AVIATION (SHRI SHRIPAD YESSO NAIK)

(a) and (b): It is difficult to compare operational cost of Airlines as it depends upon their distinct operational requirements/ constraints, route network, age and mix of aircraft fleet and input prices. The operational cost in respect of Air India and Indian Airlines is higher because of higher maintenance cost on old aircraft, high Aviation Turbine Fuel (ATF) prices,inadequate fleet size and mix of aircraft for optimum deployment, Indian Airlines having to undertake substantial operations in far flung and remote areas of the country and linking State capitals and Air India having to undertake short-haul domestic hub & spoke operations to fill bigger aircraft.
(c) and (d) : Both Air India and Indian Airlines have undertaken various measures for reducing their operational cost which include comprehensive budget control system, induction of additional aircraft on dry lease, replacement of short haul flights to Gulf from bigger B-747 aircraft to smaller A-310 aircraft by Air India, fuel monitoring and tankering, review of uneconomic flights etc. Both the airlines are also planning to acquire new aircraft. Government has also proposed to treat ATF used in international operations as `deemed export` thereby exempting it from Sales Tax. Government is also in consultation with State Governments for treating ATF as `declared goods` so that Sales Tax may be levied only at the rate of 4% instead of the present average rate of about 20-25%.